



**Director of
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SITUATION REPORT

IRAN

Despite repeated appeals from President Bani-Sadr and other government leaders, clashes between leftists and Muslim extremists are continuing on university campuses in several cities. []

In Tehran, the Revolutionary Guards had to intervene yesterday to quell the fighting at one university. [] the leftist Fedayeen has taken control of parts of Tehran University and is urging all Iranians to support the leftist students. The situation in Tabriz is also said to be tense, and there have been clashes in high schools near Shiraz. []

The clashes are spreading beyond the campuses as Muslims organize a general attack on the left. In Tehran, Muslim extremists reportedly burned down the office of the pro-Soviet Tudeh Party newspaper on Saturday. The Tudeh has agreed to close its offices at universities but is criticizing the regime for purging the campuses. []

Ayatollah Khomeini yesterday strongly endorsed a purge of all Western and Communist influences from the universities. By urging students to fight the left, he probably has undercut Bani-Sadr's efforts to calm the situation. []

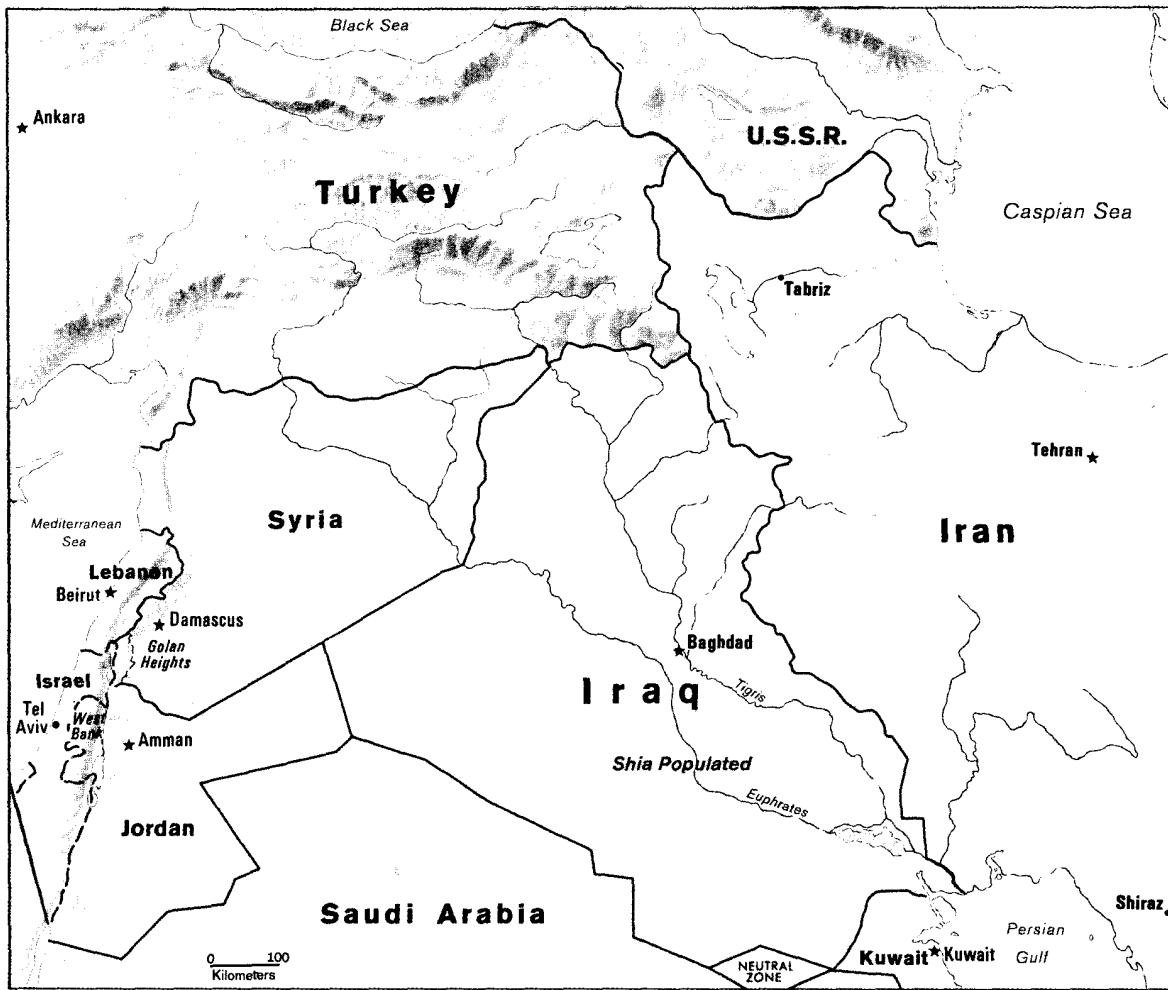
Elections

A prominent newspaper in Tehran quoted Interior Ministry officials yesterday as indicating that the second round of legislative elections will be postponed until 9 May. Last week a senior official of the Islamic Republic Party urged such a postponement to give the government more time to investigate charges of vote-tampering in the first round. []

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Iraq-Iran

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The fact of Sadr's execution probably also will lead to more anti-Iraqi violence in Lebanon and other countries. Rumors of his death have already caused serious fighting in Lebanon between the Shia Amal Movement and the Iraqi-backed Arab Liberation Front. [REDACTED]

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The Baathist government in Iraq recently has begun an intensive crackdown on Shia dissidents in response to an increase in terrorism over the past few weeks. [REDACTED]

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BRIEFS AND COMMENTS

SOUTH YEMEN: Change of Leadership

The resignation on Sunday of South Yemeni President Abd al-Fatah Ismail, and his replacement--at least temporarily--by Prime Minister Ali Nasir Muhammad al-Hasani, probably does not by itself signal a fundamental change in South Yemen's relationship with the USSR. []

We have no information on the circumstances surrounding Ismail's resignation. He has a history of poor health, and his resignation for that reason--as cited by the press in South Yemen and the USSR--is plausible. []

In the past few months the factional infighting in South Yemen has intensified as Ismail has continually sought to maintain the influence of his fellow northerners in the party and government. These efforts have been challenged by native southerners, led by Hasani and Defense Minister Ali Antar. []

The southerners also regard Ismail's advocacy of early unity with North Yemen as a threat to their positions. They believe that a united government would include more North Yemenis. Relations with the USSR have apparently not been a source of dispute as both sides seem satisfied with South Yemen's close ties to the Soviets. []

Hasani is a political chameleon, and comes from a prominent tribal family. Although Hasani is less revolutionary than the ideologue Ismail, he has had good relations with the Soviets. []

The new president may seek better relations with neighboring Arab states--at least on the surface. Such a policy probably would be in line with Soviet efforts at improving relations with peninsular states. []

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It remains to be seen whether Hasani will stay on top. Ali Antar, the strongman of the southern faction, may want the presidency himself. Hasani was appointed to the presidency only until the next meeting of the Supreme People's Council, which is scheduled for August.

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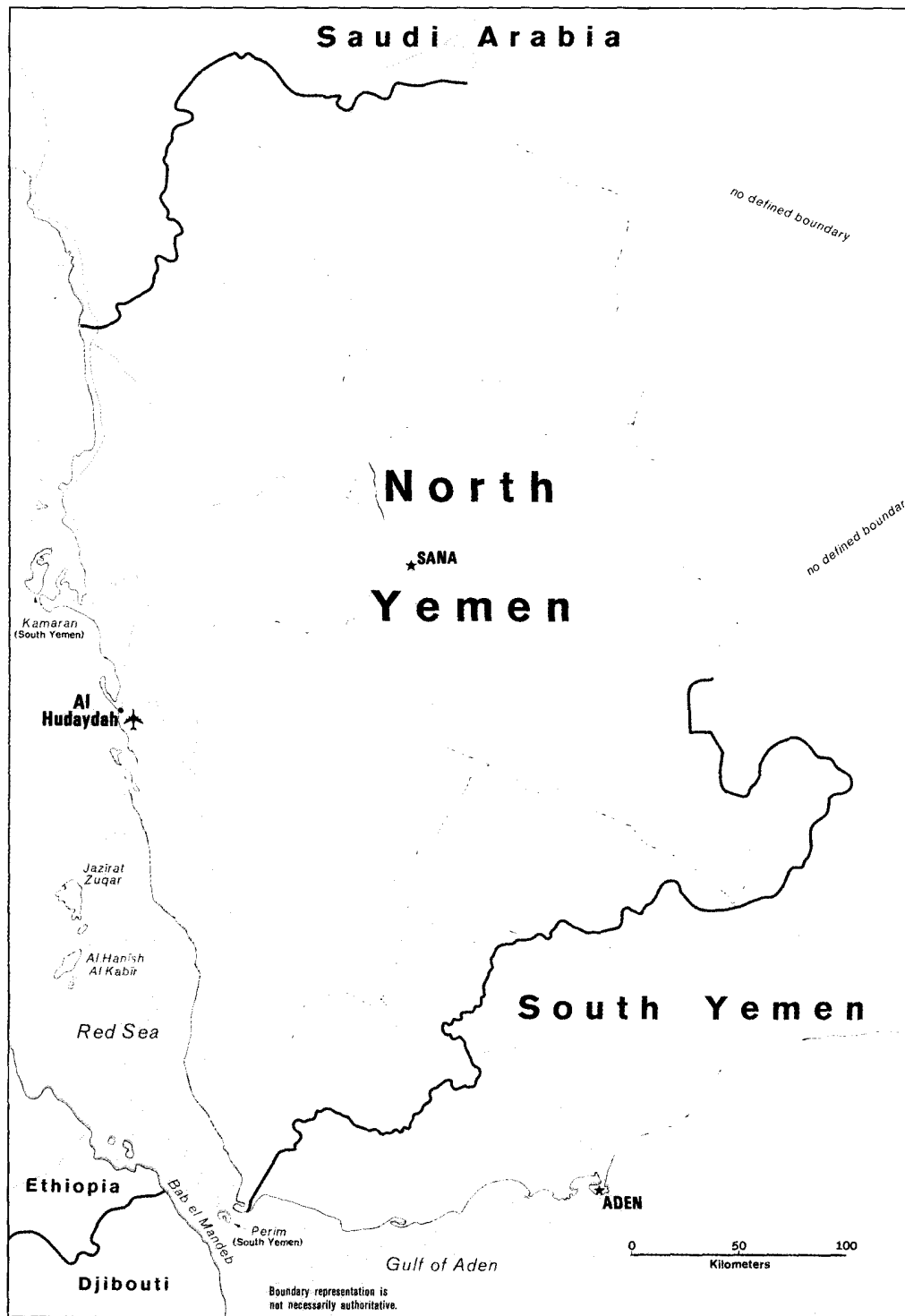
Although the Soviets have long supported Ismail, there has been no indication that they have major reservations about Hasani. They probably are concerned over the infighting, and will use their substantial military and economic assistance in South Yemen as leverage to protect their position there.

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USSR - NORTH YEMEN: Soviet Military Aid

The Soviets continue to deliver military equipment and provide training for North Yemeni personnel under the provisions of last year's \$350 million military aid agreement.

Under the contract, the Soviets have delivered at least 10 SU-22 fighter-bombers, nine MIG-21s, and up to 100 T-55 tanks. North Yemen also has received six ZSU-23/4 self-propelled antiaircraft guns.

the SA-2 air defense missile equipment obtained from the Soviets will be deployed at the Al Hudaydah air base. the Soviets are planning to install a coastal radar system--consisting of six or seven radars--extending from the Saudi border to Bab al Mandab. One unit may already be in place at Al Hudaydah.

The Soviets have expanded their military training program that began last October. since late last year the number of Soviet advisers in the country has increased from 120 to around 300. Approximately 250 North Yemenis are being trained in the USSR.

We expect Soviet military assistance and training to continue at a high level. Saudi Arabia has proposed that the Soviets be replaced with non-Communist advisers, but Sana is unlikely to go along.

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JAPAN-IRAN: Preparing for Oil Cutoff

The National Iranian Oil Company's refusal yesterday to load three Japan-bound tankers may be intended primarily to force Japanese acquiescence to the \$2.50 per barrel increase adopted by Iran on 1 April.

Japan's oil companies have been under pressure from the powerful Ministry of International Trade and Industry to rebuff the price increase in part to avoid antagonizing the US.

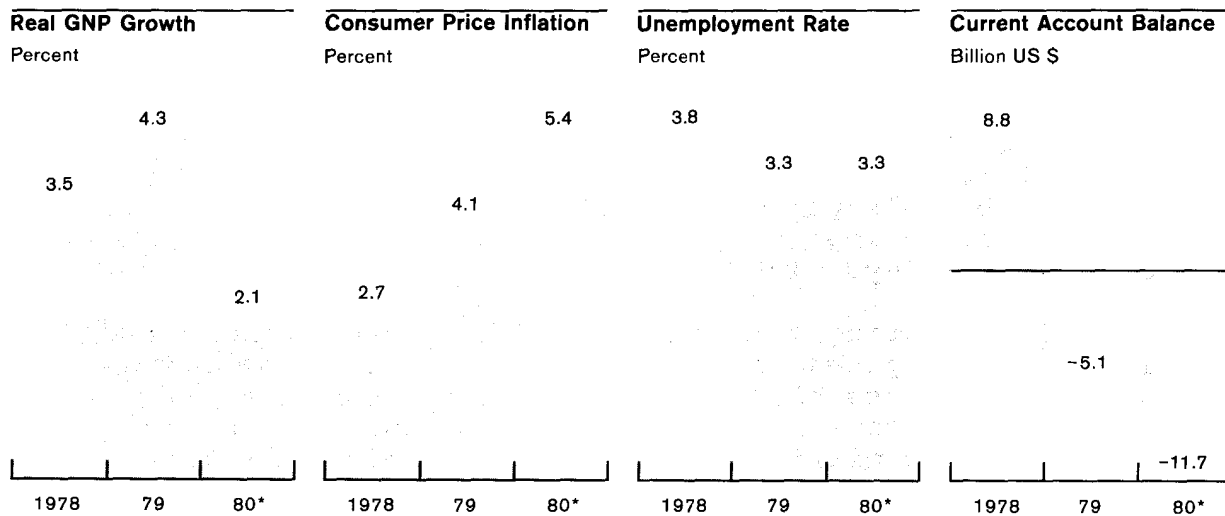
If Tehran completely suspends oil exports to Japan or breaks trade relations, Japan would be in a good position to weather these developments.

Iran yesterday warned Tokyo that the substantial Japanese investment in the huge petrochemical complex not yet completed at Bandar Khomeini may be lost if Japan goes along with US-proposed sanctions. Such warnings have been frequent, however, as the project has lagged, and Japanese officials so far appear to be taking this latest threat in stride.

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West Germany: Selected Economic Indicators



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WEST GERMANY: Economic Growth

With elections scheduled for October, Chancellor Schmidt's government wants to put a sharp limit on unfavorable economic trends that can be exploited by the opposition.

West German measures against inflation probably will slow economic growth to only about 2 percent in 1980. Although the country has an enviable record on inflation and unemployment, Schmidt is concerned about the 5- to 5.5-percent increase expected in consumer prices and the upward drift in unemployment. Prospects appear fairly good for holding wage increases within a range that will not add substantially to price increases, but Bonn can do little about the major cause of inflation--the rising cost of imports, especially oil.

The government is planning no basic changes in its energy program, which has so far worked well in holding down oil consumption. The government also has been counting on increasing the use of coal and nuclear energy, but this strategy is encountering stiff resistance from environmentalists.

Schmidt is likely to take fiscal measures to stimulate renewed growth in 1981. Assuming oil prices rise no more than 10 percent next year, inflation should drop to less than 5 percent. Unemployment, on the other hand, probably will get worse, perhaps approaching the politically critical figure of 1 million.

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NICARAGUA: Mounting Opposition

Opposition to the Sandinistas continues to build on several fronts. [redacted]

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The private sector also may attempt to capitalize on what is likely to be increased international criticism of widening judicial irregularities. Nicaragua's "popular tribunals"--under public pressure to punish the approximately 7,500 former members of the National Guard and Somoza associates--are handing down stiff penalties with little regard for legal safeguards. [redacted]

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La Prensa, the only major independent newspaper, was closed temporarily over the weekend when its pro-Sandinista workers seized control. The newspaper is owned by the Chamorro family, and its takeover was linked to the resignation of junta member Violeta De Chamorro on Saturday and to the family's decision to take a line more vigorously independent of the government. [redacted]

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SOUTH AFRICA: Declining Support for Insurgents

South African insurgency leaders are dismayed at the failure of the Presidents of the Frontline States to move immediately from success in Zimbabwe to vigorous support for the insurgency against Pretoria.

South Africa's neighbors fear economic and military reprisals from Pretoria. Zimbabwe's Prime Minister Mugabe wants to rebuild his country's economy and has publicly stated that he will not provide staging bases for South African liberation movements.

Mozambique's President Machel, who also wants to improve economic conditions, has curtailed African National Congress activity

Botswana has been moving South African refugees, including African National Congress cadre, to a resettlement camp far from the border, thereby hampering infiltration into South Africa and preventing African National Congress recruits from moving on to training in other countries.

Several black African nations that are not economically dependent upon South Africa are more inclined to aid the liberation movements, but they are disenchanted with the factional strife among the insurgents--particularly the Pan-Africanist Congress--and the apparent lack of domestic support for both exile groups.

Both groups may believe that they must carry out spectacular operations in South Africa or risk losing foreign support. Recent attacks against a bank and several police stations have demonstrated that internally based guerrillas are still able occasionally to circumvent elaborate South African security.

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MOROCCO: Breaking Diplomatic Ties

Morocco has broken diplomatic relations with Libya and recalled its Ambassador to Syria following the decision of the radical Arab Steadfastness Front last week to recognize the Polisario Front's exile Saharan Democratic Arab Republic. In addition, Moroccan Foreign Minister Boucetta announced yesterday that Rabat will break relations with Cuba, which recognized the Saharan Democratic Arab Republic last January following the Non-aligned Summit in Havana. Although the Palestine Liberation Organization also endorsed the radicals' decision on the government-in-exile, Morocco evidently will hold off on any action against the PLO until an envoy from Yasir Arafat has had a chance to explain the PLO's action.

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WEST GERMANY: Prominent Opposition Politician Dies

The death on Sunday of Heinrich Koeppler, Christian Democratic leader in North Rhine-Westphalia, will make it more difficult for the party to unseat Chancellor Schmidt's Social Democrats in the state election on 11 May--a contest widely regarded as a key indicator of the federal vote in October. Kurt Biedenkopf, who is likely to take over as opposition leader, is known for his national ambitions and is less popular than Koeppler. Biedenkopf also was an early prominent supporter of Franz Josef Strauss for federal chancellor.

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SPECIAL ANALYSIS

NATO: Theater Nuclear Forces

The future of NATO Theater Nuclear Force modernization is being further clouded by lack of progress on arms control, West European fears that East-West difficulties could destroy detente, and continuing political opposition in the countries in which the missiles would be deployed. The allies still insist that the decision made in December to modernize their long-range theater nuclear forces is linked to offers to negotiate with the Soviets on limiting such weapons. While the allies blame the USSR for lack of progress on theater nuclear arms control, they are equally concerned about US nonratification of SALT II, and they fear the US reaction to Afghanistan could spill over into European security issues.

Signaling West German eagerness to resume arms control talks, Chancellor Schmidt has proposed that both sides freeze theater nuclear deployment "for a number of years" while arms control negotiations take place. Schmidt hopes to establish himself as the peace candidate in the elections this October. Conservative opposition leader Franz Josef Strauss has attacked Schmidt's new initiative as a snub to NATO and the US.

The Chancellor maintains that his proposal does not alter the NATO decision. The government has "clarified" that Schmidt wants a halt in the Soviet theater nuclear buildup over the next three years, before NATO's new missiles are ready.

Schmidt may hope to demonstrate either that the Soviets are willing to discuss theater nuclear forces despite NATO's modernization decision or that Moscow is not serious about arms control. He may reason that either conclusion could increase support in NATO for theater nuclear modernization.

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[redacted]

On the other hand, Schmidt may believe that the present international atmosphere requires a shift in arms control policies by both sides and that some new offer is necessary to follow up NATO's offer in December to negotiate theater nuclear limits. Schmidt cites both US non-ratification of SALT II and Soviet unwillingness to discuss long-range theater nuclear forces as obstacles to the arms control process, and his new proposal for a freeze conceivably could reflect a genuine retreat on the question of deployment. [redacted]

A freeze was specifically rejected during last year's debate because it would be extremely difficult to reverse. All allies would have to agree that arms control progress had been so minimal that NATO should end the freeze. [redacted]

Schmidt's initiative also may reflect differences with the US. Last fall Bonn and Washington argued whether the modernization decision should stress production or deployment but finally agreed that arms control progress might change deployment levels. Schmidt may now see a need to reemphasize to the US and USSR the link between arms control and deployment. [redacted]

Other Reactions

The Netherlands, Belgium, and Italy have their own political problems with the issue and will watch Schmidt's position carefully. These three are the only allies that can satisfy the West German condition for acceptance of new missiles, that at least one other continental power share basing responsibility. [redacted]

The Hague is most unlikely to accept basing. Belgium is no closer to basing the weapons than it was in December, when it delayed its decision for six months. Schmidt's recent statements will encourage Belgian officials to call for further postponement of their decision. [redacted]

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Only Italy, therefore, now satisfies the West German requirement. Continued Italian acceptance of basing depends to a great extent on the Italian Communist Party's continued tacit support for the Alliance's theater nuclear program. [REDACTED]

Last year the Italian Communists voted against the program in parliament, but consciously restricted their opposition in order not to scuttle Italian participation. Although Socialist Party leaders officially supported theater nuclear participation, nearly half of the Socialist parliamentary delegation apparently defected on the vote. [REDACTED]

The Italian Communist Party and many Socialists are concerned about both superpowers' contributions to the European regional arms race, and both oppose SS-20 deployments and have urged Moscow to freeze them. The Communists will continue to withhold support for Moscow's position on NATO's modernization as long as the Soviets remain intransigent on theater nuclear arms control. [REDACTED]

Since the Italian Government cannot count on the support of all Socialists, the Italian Communist Party will exploit its theater nuclear position to strengthen its claim to be a reliable NATO partner. The party may even try to bargain for the lifting of US objections to Communist participation in the government. [REDACTED]

If Moscow were to accept Schmidt's proposal and were to offer an SS-20 freeze, however, the Italian Communist Party might oppose theater nuclear modernization, especially if SALT II is still not ratified. The Italian Government is already worried that the Soviets might offer an SS-20 freeze this spring. [REDACTED]

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